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THE TOLEDO PLAN

By M. V. DI SALLE

ONE of the most difficult problems facing society today is that of labour-management relations. In Toledo an attempt was made to prove that this problem could be solved. The form of the solution has been called *The Toledo Plan*, and it comprises a unique labour-management-citizens committee, which is the result of the desire of a community to advance in an orderly fashion.

The Birth of the Toledo Plan

During the war, labour-management relations presented comparatively few obstacles, but everyone knew that industrial harmony would be a very difficult achievement in the post-war period. There was, however, much post-war planning during the war. People, generally, seemed determined to avoid the mistakes of the First World War. This time it was to be different. Strangely enough, when communities presented post-war plans, they discussed parks, recreational facilities, highways and many other ways of improving the physical appearance and facilities of a city. Post-war planning received high priority in Toledo, and in fact there were something like seventy committees engaged.

It was a natural consequence that as the future of Toledo was thought about, a check list was compiled of items that were of most

importance to the welfare of the city. High on this list was steady employment. It was this method of approach, combined with the awareness of the great problems that would have to be faced in the post-war period, that inspired the preliminary investigation into the possibility of a labour-management-citizens committee, to consider post-war employment in the post-war period.

The Need for Greater Industrial Efficiency

In 1944 the Department of Labor's figures showed 144,000 man-days of work lost in the City of Toledo due to stoppages resulting from a variety of causes. Early in 1945 it became obvious that there were factions both in labour and management that were waiting for the end of wartime restrictions to present new demands. Practices had arisen as a result of cost-plus that could not be permitted to continue if the community were to survive post-war reconversion and regain its industrial peacetime economy. Lax production methods could not be blamed entirely either on management, or on labour, but rather on an economy where there was an anxious customer ready to take everything that was produced without competition to help keep prices in line.

With the end of the war and a return to a freer enterprise system, it took no great economist to see that production methods would have to be improved and that a community slow in reconverting might easily be passed by. There would be many customers ready and willing to buy. Buying habits would be formed which might easily become permanent, and therefore the Council of the City of Toledo on the 23rd day of April, 1945, adopted the following resolution:

"Whereas, full employment is the most important post-war problem facing the City of Toledo; and

"Whereas, in order to accomplish full employment it is necessary that management, labour and the public join in practical co-operation to meet and solve the existing problems; and

"Whereas, the needs of the community can best be served by first narrowing the areas of disagreement between labour and management; and

"Whereas, the City of Toledo has pointed the way in the past to industrial peace through its justly famous Toledo Industrial Peace Board; and

"Whereas, through exploration by labour and management with the aid of the public of ways and means to effect a better understanding and solution of the problems affecting labour and management within the community; and

"Whereas, unless this understanding is effected, we are faced with industrial strife and the consequent dislocation and economic losses to the community; therefore,

"Be it resolved by the Council of the City of Toledo:

"*Section 1.* That the Mayor be, and he is hereby authorized to appoint a committee of eighteen (18), consisting of six representatives of management, six representatives of labour, and six representatives of the public, for the purpose of studying community management-labour problems facing the City of Toledo.

"*Section 2.* That this Committee shall make a complete study, searching for the problems hereinabove mentioned, reporting said problems and the suggested solution thereto to the Council of the City of Toledo in any situation where said Council can be of assistance.

"*Section 3.* That the City Manager place at the disposition of said Committee whatever facilities may be needed in the way of stenographic services, legal research or other assistance that may be given by the City Administration.

"*Section 4.* That the sum of \$1,000.00 be, and is hereby appropriated to cover incidental expenses of said Committee.

"*Section 5.* That this resolution, being an emergency measure on account of being necessary for the preservation of the safety and welfare of the people of the City of Toledo, shall be in force from and after its adoption."

After two months of conferences and discussions the Mayor appointed the following committee:

Judge Frank L. Kloeb, United States District Court.

Rev. Michael J. Doyle, Director of the Toledo Catholic Charities.

Rev. F. Bringle McIntosh, District Superintendent of Methodist Churches.

C. K. Searles, Dean, College of Business Adm., University of Toledo.

Rabbi Morton Goldberg, B'Nai Israel Synagogue.

Jules D. Lippmann, President, Textile Leather Corp.

J. Preston Levis, President, Owens-Illinois Glass Co.

John D. Biggers, President, Libbey-Owens Ford Glass Co.
Royce Martin, President, Electric Auto-Lite Company.
Joseph L. Tillman, Vice-President, Unitcast Corporation.
A. Gideon Spieker, Secretary-Treasurer, Henry J. Spieker Co.
Otto Brach, Secretary, Toledo Central Labor Union, A.F.L.
William Sturm, District Director, American Federation of Labor.
Franz Berlacher, Vice-President, Toledo Central Labor Union.
Edward T. Cheyfitz, Chairman, United Mine, Mill and Smelter
Workers, C.I.O.
Lawrence Steinberg, Executive Staff, Wholesale and Retail Clerks.
Richard Gosser, Regional Director, C.I.O.
Michael V. DiSalle, Vice-Mayor.

These were busy men. The labour members represented thousands of workers and their days were filled with many complex problems. The management members were the heads of large industries which demanded a staggering amount of their time. Most of them held directorships in other companies, and yet in full realization of the problems before them they agreed to meet twice a month, for several hours at each sitting.

Development of the Charter

When these meetings started, there was suspicion on both sides. Although there had been no great change in the leadership of management and labour in the community for ten years or more, it was the first time that most of these men had met. They had known each other only by reputation. What they had heard about each other often had not been good. As they filed into the room, management went to one end of the table, labour went to the other, the public was left in the middle, a position which the public occupies quite uncomfortably whenever labour-management disputes occur. To emphasize the division, one of the labour members passed a slip around to his fellow panel members, asking the question, "Do you believe management is sincere in this attempt to establish co-operation?" One member answered, "Yes"; one, "I don't know"; four said "No".

Many times during the meetings it seemed that the attempt was doomed to failure. Time after time there arose seemingly impassable obstacles. It often appeared that one side or the other would walk out. But in each instance one of the eighteen men had something to offer to bring labour and management back to the primary principle, "that industrial strife was costly and wasteful, and if we found it impossible

to lay the foundations of understanding, then how much more than impossible would it be to attempt to solve problems complicated by the clash of personalities."

Very early in the deliberations, as a snag was encountered, various members of the panel were assigned matters of information on dispute, to prepare and return to the committee of the whole in writing. For instance, one of the topics which both sides illuminated was "development of means to dispel suspicion and distrust between organized labour and management". Another was "on the relation of education of foremen, supervisors, shop committeemen and stewards in human relations to achieve better understanding in the workshop".

There is no magic formula for dispelling overnight the deep-rooted prejudices and conflicts. Everyone should realize the mutuality of business. The success of the enterprise needs the mutual understanding of problems. It follows that successful labour-management relations rest in the respect that each has for the other, and the knowledge that the problems of each are so inter-related that there can be no successful division.

Labour furnishes the largest consumer's market, consequently labour must have good wages; wages which will permit not only the purchase of the necessities of life, but in addition the other products of their efforts. This must be in addition to the means of planning for a secure old age, for the education of the family and all the other things that must be included in a well-rounded life.

On the other hand if labour, through a failure to co-operate in the attainment of complete and reasonable production, drives the prices of its products out of sight of its own pocketbook, it certainly will be reflected in smaller markets, and smaller markets in turn bring unemployment.

As meetings progressed, new understandings were achieved and soon the barriers so apparent at the first meeting were melting away. The work of the committee continued on a higher plane and at a faster pace. Lively and intelligent discussion took place on point after point and finally, after eight months, the following charter was adopted:

CHARTER

THE TOLEDO LABOUR-MANAGEMENT-CITIZENS COMMITTEE

Adopted November 20, 1945 — Ratified February 5, 1946,

by L-M-C Committee

Industrial harmony is necessary to the welfare of Toledo. Industrial harmony means more than the elimination of strikes, slow-downs and lockouts. It means a practical, common-sense recognition of the rights of both employers and employees, the mutuality of their interests, and the importance of their joint responsibility to the citizens as a whole, whose interests transcend the presumed rights of any group.

To jointly seek successful patterns of democratic economic living and to achieve self-government in industry, and to provide a means of minimizing and reducing the possibility of loss of production and wages, this Industrial Relations Charter has been drafted and is recommended for consideration and adoption by representatives of industry and labour in the City of Toledo.

Principle No. 1

Management acknowledges the right of employees to form and join labour organizations without interference or coercion from any source, and to bargain collectively through their bargaining agents. For their part, bargaining agents recognize their duty to demonstrate leadership and responsibility in keeping with the trust reposed in them.

Principle No. 2

Labour recognizes the inherent right of management to direct the operations of the enterprise. In the exercise of these rights, management recognizes its duty to demonstrate the type of leadership and responsibility it expects of the representatives of Labour under Principle No. 1.

Principle No. 3

Neither labour nor management should discriminate against any employee because of race, creed or color.

Principle No. 4

Management and labour agree that improvements in productive efficiency and technological advance result in lower costs and selling prices and wider markets for the products of industry, thereby making possible higher wages and a rising standard of living and increasing employment.

Principle No. 5

Management and labour, while attempting to prevent differences and disagreement, realize that they will arise from time to time, and believe that the damaging effects of such differences and disagreements on the community should be minimized by joint discussion and by the voluntary utilization of mediation, fact-finding and arbitration facilities as may be made available by this Labour-Management-Citizens Committee.

Principle No. 6

Management and labour agree that an education programme is desirable to promote a better mutual understanding between workers, stewards, union officials, supervisors, foremen and managers. As a means to this end, an educational programme shall be organized as an essential activity of this Labour-Management-Citizens Committee.

Article No. 1

There shall be created a Labour-Management-Citizens Committee of eighteen (18) persons, to be appointed by the Mayor of the City of Toledo, to act as a directing body for the purpose of implementing and effectuating the purposes and principles of this Charter and the mandate thereof.

Article No. 2

The Committee shall consist of six recognized members from labour, six recognized members from industry, and six representatives from the public. The members shall be appointed for a term of one year. The Mayor shall designate one of the public members to act as Chairman.

Article No. 3

The Committee shall adopt a set of rules to govern its own meetings and procedure. These rules may be amended from time to time, but only upon notice to all members that said proposed amendments shall be acted upon at a specified meeting. A majority vote of the Committee shall be required for the approval of the proposed amendment.

Article No. 4

The Committee may appoint an Executive Secretary, who may be a full-time employee.

Article No. 5

There may be created an Office of Mediation, Fact-finding and Arbitration. The facilities of the Office of Mediation, Fact-finding and Arbitration shall be available on joint application of the parties to a

difference or disagreement. In any matter that is to be arbitrated, there shall be a stipulation signed by both parties clearly defining the issue or issues to be decided and a statement to the effect that the decision will be accepted by both parties as final and binding.

Article No. 6

A budget shall be annually prepared by the Committee in the month of November for the ensuing year, the funds to be supplied by the City.

Article No. 7

The Director of the Office of Mediation, Fact-finding and Arbitration shall be appointed by unanimous vote of the Committee for a period of two (2) years; provided, however, that should objection to him be lodged with the Committee within six months of his appointment, a hearing shall be held by said Committee. If a majority of the Committee should decide that the objections are well taken, his resignation shall be accepted. Provisions for such resignation procedure shall be made in the contract. After the six months' period, the Director of the Office of Mediation, Fact-finding and Arbitration shall serve the full two years unless removed for fraud or misfeasance in office.

Article No. 8

The Office of Mediation, Fact-finding and Arbitration shall submit its rules of procedure for approval by the Committee, such approval to be by unanimous vote of the Committee.

Article No. 9

Whenever it comes to the attention of the Office of Mediation, Fact-finding and Arbitration that a labour-management dispute exists that may adversely affect the welfare of the community, and the parties to the dispute have not jointly requested the mediation or arbitration facilities available, the Director shall notify the Chairman of the Committee. The Chairman of the Committee, at his discretion, shall thereupon call a meeting of the Committee and/or request one or more management members of the Committee to confer with the employer-disputant, and one or more labour members of the Committee to confer with the representatives of the employees-disputant, and acquaint both parties to the dispute with the mediation and arbitration facilities available to them.

Article No. 10

Should a jurisdictional dispute occur that may adversely affect the welfare of the community, the Committee shall make such recommendations it deems necessary.

Article No. 11

The Charter shall become effective on the date that it is ratified by the Council of the City of Toledo. Amendments to this Charter shall come into effect when approved by a unanimous vote of the Committee. All proposed amendments must be presented in writing and lay over for thirty days before being considered. In the event that the Committee feels that an emergency exists, the Article requiring the proposed amendment to lay over thirty days may, by unanimous vote of the Committee, be suspended and the matter taken up for immediate consideration.

Article No. 12

The parties to this Charter shall be those management and union groups in this community who shall make a separate or joint application for a certificate setting forth their endorsement of the Principles, Articles and Objectives of this Charter. This certificate shall remain in the possession of the applicant for this certificate so long as the provisions contained therein are adhered to. A certificate of participation may be issued or revoked by a majority vote of the Committee.

Frank Discussion a Necessity

The adoption of the Charter and the unanimous agreement on the principles would have been impossible if it had not been for the time spent in frank and open discussion. This discussion resulted in understanding and mutual respect. The last meeting at which the Charter was developed was much like comparing commencement day with that first freshman day in college. Stature had been developed. Both labour and management representatives were better able to meet their everyday problems because they had had an insight into the other fellow.

Statements had replaced demagogury, and there was plain and unadulterated drama when John D. Biggers turned to the labour members of the panel and said:

"Gentleman, as we close this meeting I want you to know that I feel better able to meet the problems in my plant because of my contact with you gentlemen and the fine lessons I have learned in these meetings, and with your permission I would like to read a letter that the company and the union are joining in."

In the interest of brevity, I will quote only the last two paragraphs of that letter:

"For years the management has been working on new and expanded uses for glass. Today many of them are a reality. The

demand for glass in the building field, in the automotive industry, in fact in all lines, seems greater than ever before. There is plenty of work. Maximum output during these next few months will protect our industry against inroads from new competitive materials and thus better insure your jobs far into the future.

"Co-operation between men and management will insure good production. Good production is the best possible insurance of good wages. You, the union and the company, are a team in this industry. We lose ground or gain success together. This letter was signed by the responsible officers of the union and the company."

This is the spirit that guides labour-management relations in Toledo. It has created a new feeling in the community, and although all problems are not solved, the groundwork for solution is laid.

The Toledo plan is a practical attempt to present a solution to the labour-management problem that has been assuming greater and greater importance in the economic life of the community. It can be successful in any place and on any level, providing the attempt is sincere and honest. It is hoped that in sharing this experience and experiment with others, the Labour-Management-Citizens Committee of Toledo will be of assistance to others who may be faced with problems similar to those that they themselves have dealt with.

WHAT THE CANADIAN AUTOMOBILE INDUSTRY MEANS TO YOU

*An Address prepared for delivery to the first Graduation Banquet of the
Commerce Club of the University of Western Ontario (in association
with the University's Department of Business Administration
and the Bureau of Business Research) in the Hotel London,
London, Ontario, on Tuesday, March 16th, 1948.*

D. B. GREIG

THERE were two reasons why I accepted the very kind invitation of your committee to be the speaker at this first annual Graduation Banquet of the Commerce Club—although I might have been more hesitant had I known at the time I was to face such a diversified and challenging audience.

The first reason was that only a short time before your invitation was received, I had had a long, delightful and most informative chat with President Hall and Dr. Collip of this very fine institution. They had aroused my interest to such an extent that I wanted to come and see for myself not only the buildings and facilities of this seat of higher learning, but the brilliant young men and women who are so earnestly laying the foundations here for successful careers in every phase of business and professional life. I have been inspired by what I have seen.

The second reason lies in an item I read in the newspaper. I stated that a recent survey had revealed that two in five of all the graduates from our Canadian universities this year propose to leave their native land to seek fame and fortune beyond our boundaries. I do not know whether the statement is well-founded; I sincerely hope it is untrue. Nevertheless, it was disturbing to me, as it must have been to a great many others who head Canadian business and industrial enterprises.

I am strongly in favour of increasing Canada's exports, for our trade abroad is the very lifeblood of the nation, but I think there is one commodity we can ill afford to sell or give away if we wish to see Canada rise to her true destiny.

We cannot afford to export the most precious of all our assets—our Canadian youth. We need our young men and women and the heritage that is theirs. We need their brains, their skills, their enthusiasm, their imagination, their high potential for leadership.

I wanted to come here tonight to talk particularly to the young men and women whose names will appear on the graduation rolls this year, next year, or the next. I come before them with a certain humility, which probably is shared by some of the business and industrial executives in this audience, for we have not been as assiduous as we should have been in telling the story of Canadian opportunity to Canadian youth.

Perhaps we speak too glibly of opportunity, for each of us has a different concept of what we expect from life. One individual measures success solely in terms of materialism, and to him we can express opportunity only in dollars and cents.

Another's yardstick of success is fame, rather than fortune—fame in the sense that his name will ring around the world in tribute to his achievements in creating or doing things of public interest. And to others the goal may be a full and happy life of useful service to humanity in such realms as theology, medicine, education or social service, with little thought of tangible rewards.

Experience teaches us that no matter what our particular objective may be, opportunity will not be served up to us on a silver platter. We must work for it, fight for it, seize it and hold it. Often we can make our own opportunities where no opportunity seems to exist.

I believe in Canada. I believe in the future. My faith is such that I urge all young Canadians to examine carefully the opportunities offered in our own beloved Dominion before seeking a future elsewhere.

Where in the world is there a land more blest? Where is there as wide a freedom—of person, of speech and of press? Where, other than in the United States, is there so high a standard of living, even granted the economic difficulties against which we labour at the moment? Where under heaven is the average man and woman having a better life? Where is there greater spiritual and material incentive to the unleashing of productive energies? Where are toil and enterprise more rewarding?

These are challenging questions and I grant you that we might quibble on some of the answers. I admit there are defects in every mechanism and that perfection is rarely attainable. But I challenge

you, as young Canadians, to help we oldsters in the common task of ironing out the imperfections and contributing toward a richer, fuller life for every Canadian.

A few minutes ago I told you I was disturbed by the news item stating that two in five Canadian university graduates this year would seek their future in the United States. I looked into past records to discover whether this was a new trend, and was startled to find that during the 90 years between 1851 and 1941 Canada had brought 6,700,000 immigrants into the Dominion and had lost 6,300,000 by emigration—mostly native Canadians who crossed the line into the United States.

It is a somewhat rueful source of pride to us that some of the outstanding men in the United States today were born in Canada. For example, more than twenty American universities have presidents who were born in our country.

I heard a true story the other day that illustrates the point. A leading financial institution in the State of Michigan was preparing its annual report for publication, and it was the intention to print in the front of the book the photographs and brief thumbnail sketches of some thirty directors, officers and top officials of the corporation. The idea was abandoned when someone tallied up the number of Canadians included among those in high office, a total so high that it would have been embarrassing to the American institution.

But I still maintain that we should not be in the business of exporting brains. We have a great challenge and a great opportunity here at home. Canada is big enough for the ablest people among us.

It is doubtful if any people could ask of their Creator finer materials to work with than we have in Canada. As a nation we have the third largest area in the world under our management. We have 500,000 square miles of fertile land and 1,000,000 square miles of forests. We are among the richest sources in the world for nickel, radium, asbestos, uranium, and a host of other things.

In the wide expanse of our northland are untold riches yet to be tapped. In Northern Quebec and Labrador lie iron deposits which may prove to be the richest on the North American Continent. In the Athabaska tar sands there is said to be the greatest source of oil on the continent, still awaiting development, and only recently we have learned of the great oil strike at Leduc, Alberta. In the northwest, too, we have pitchblende deposits unequalled in all the world—deposits

which yield radium and uranium, which may become the key substances in the era of atomic energy which already is opening for mankind. No one knows what other vast riches lie in this great land of ours, waiting for development by Canadians who see an opportunity before them and are willing to reach out and grasp it.

With a population of about twelve and a half million people, we have a land which, it is estimated, could support four or five times as many. We are welcoming to our shores thousands of displaced persons from war-ravaged countries abroad to help in the great task of developing our country. Ten years ago I might have doubted our ability to absorb them, to provide for them, to make them good Canadians. I have no such fears today, because the expansion of our economy has been rapidly outstripping our population.

A great deal has been said and written lately about the so-called "austerity programme", and it may have clouded the thinking of some of us about the state of our affairs. It is most unfortunate the word "austerity" was associated with the exchange conservation programme, for it has given a mistaken impression outside our national boundaries, and possibly to some of our own people, that there is scarcity in Canada equivalent to that prevailing in the United Kingdom. You all know that to be untrue. We have an abundance of virtually everything but United States dollars, which we need for the purchase from the United States of things essential to our expanding economy.

But the need for foreign exchange conservation does not mean that Canada is weak, faltering, or non-productive. We were never more vigorous.

During the past eight years our manufacturing capacity has doubled. Our steel output is up 225 per cent. Our chemical output in 1947 was two and a half times that of 1939. Capital investment last year ran to two and three-quarter billion dollars, as against 900 millions in 1939.

Our gross national production—in other words our total output—was estimated at twelve billions, 700 millions in 1947, which compares with a 1939 total of five and a half billions. Even granting that there is a difference in dollar values, the increase in output has been astounding.

Of great significance, too, are the figures for employment in Canada. In 1947 this nation of twelve and a half million people had

4,800,000 persons gainfully employed—about seventy per cent more than in 1939—and their per capita production measured in dollar values was substantially higher than pre-war.

At the end of 1947 unemployment was less than three per cent, a margin considered to be normal even in the most prosperous times and representing, in the main, seasonal workers and a proportion of those who for some reason or other are virtually unemployable.

Canada is the world's third largest trading nation, preceded only by the United States and Great Britain. We have contributed almost two billion dollars toward European recovery. On a per capita basis this is far more than our good neighbour to the south has done. Last year we had a favourable trade balance of about 235 million dollars, but unfortunately much of it was carried on our books in the form of accounts receivable, and some of it was not in the kind of currency we need to balance our account with the United States.

The exchange conservation programme, as you all know, has been made necessary not by conditions within our own land, but by conditions in Great Britain, British Commonwealth countries, and Europe. For many years Canada has bought far more from the United States than we have sold there. The ratio has been fairly consistent at two to one. Our twelve and a half million people spent in 1947 at the rate of about \$220 per capita for goods, services, travel and other things in the United States, and 145,000,000 Americans spent at the rate of only \$12 per capita in our country. In normal years we have made up the difference by obtaining United States dollars from Britain, Commonwealth countries and Europe, and now these historic pipelines of trade have dried up because of the horrible damage done to the overseas economies by war.

We have no choice under the circumstances except to cut down on our buying in the United States. We are hopeful that this is a temporary situation and that the time is not far distant when our good customers abroad will be back on their feet economically.

Perhaps, paradoxically, the very necessity to conserve United States dollars offers a source of new opportunity for Canadians. Our inclination to make and buy at home has been increased. Opportunities are presented for initiative and enterprise which were not offered heretofore. The opportunities may not be easy to spot, because we must approach an expansion of our productive facilities with a full consciousness that no one can predict the duration of the current exchange

situation, and that our planning must take into consideration the long-range future. Blind gambles at a time like this can only be harmful to the individual and to the national economy.

I sometimes think that in any appraisal of our assets, we are inclined to overlook the fact that the greatest resource of any nation is its people. The iron buried in our soil, the fertility of our broad acres, the great stand of timber in our forests—these are not resources unless we have the people to convert them to man's needs.

Someone recently very well said that we Canadians are losing our inferiority complex. We are neither a colony of Britain nor a suburb of the United States. We have proved our stature in every field of human endeavour, in every major world struggle. We have won our place in the councils of the world, not only upon the strength of our contribution to world progress, but because of our powerful insistence upon moral principles in the settlement of international problems.

But it is still true, I think, that much of the building of Canada lies ahead of us. Canada has ceased to be primarily an agricultural nation and has become one of the leading industrial nations.

The path we must take in our further industrial development is probably not the same road followed by the United States. Of course we must have our mass production operations. We are already making important strides in that direction, as a nation. But it is nevertheless true that our neighbour to the south is a mass production giant, with enterprises geared to do a mass production job for a market ten to fifteen times the size of ours. We cannot always compete with the United States—and we will not always want to, because there are many fields in which we are more favourably placed.

It may seem to you that it has taken me some time to get down to my topic, "What the Canadian Automobile Industry Means to You"—or perhaps I should have put it "Means to Youth". What the automobile industry of the Dominion has to offer you—and most important, what we intend to offer in the future—is all part and parcel of the fundamental challenge and the fundamental opportunity of Canada. It is our goal to help meet the challenge, to provide scope and opportunity for the youth of Canada.

I have no mandate to speak for, or of, the automotive industry as a whole and, consequently, must confine some of my remarks to my own company.

With all modesty, I think Ford of Canada is in itself an outstanding proof that this is a land of opportunity and of promise. As many of you know, it was founded in 1904. There were some sixty original investors and the total initial capitalization was \$125,000. The first plant was a shabby little wagon works on the shore of the Detroit River.

In the first twelve months there were seventeen employees and they put together a grand total of 117 automobiles—less than one-quarter as many as we now make in a single day.

We have come a long way since then, but it has not been easy. The history of the automobile business has been scarred with failures. During the past half-century some 2,500 different makes of cars have been put on the market in the United States and Canada, but there are only twenty-two survivors today.

In the 43-year history of Ford of Canada we have made more than 2,150,000 motor vehicles, and during World War II our plant in Windsor was the largest source of military land transport in the British Empire. Last year we produced two-fifths of all the motor vehicles manufactured in the Dominion.

Our company has today some 14,000 employees, 18,000 shareholders, 1,100 dealers in Canada and as many dealer outlets in our far-flung overseas territories. Our payroll last year exceeded \$33,000,000. We spent in Canada more than sixty-one millions of dollars for materials, parts and services, purchased from some 1,700 suppliers in 150 Canadian communities and employing many thousands of people.

The entire Canadian automotive industry manufactured about 257,000 cars and trucks in 1947, of which about thirty-six per cent were for the export markets. Direct employment in the automobile manufacturing plants totalled 30,000, but The Financial Post has estimated that 250,000 Canadians owe their livelihood to the automobile—in such fields as automotive sales, garages, oil and gasoline, service stations, insurance, trucking, taxis and buses, rubber, iron and steel, other metals, textiles, glass, and highway construction. I think the estimate is on the conservative side.

The Dominion Bureau of Statistics has estimated that Canadians spent \$402,000,000 on new cars and trucks in 1947, an increase of 108 per cent over the preceding year's total of 193 millions. This,

of course, does not take into consideration the value of vehicles shipped abroad, nor does it embrace the value of parts or service.

Actual sales of motor vehicles in Canada in 1948 probably will be below the 1947 grand total. A major reason is that exchange conservation regulations have sharply reduced the expenditure of United States dollars for the importation of complete automobiles, which ran to an estimated \$60,000,000 in 1947. The 1948 imports will be about fifteen per cent of that amount. Canadian automobile manufacturers also will be restricted in the spending of United States dollars for the importation of materials and parts. This will mean that we will not be able to go ahead with the substantially increased schedules originally planned for 1948. In spite of the restrictions, however, we at Ford of Canada hope to make at least as many cars and trucks as we did in 1947, when we attained the record peacetime total of 101,000 units.

I have cited all of these figures—and I hope they have not bored you—to suggest to you that the automotive industry in Canada is a place of opportunity in a land of opportunity. I hope that they will suggest to others of you that the automotive industry is a very substantial source of national income and wealth.

Perhaps more significant than mere cold statistics are some of the human facts about the automotive business in this country. There is no more inspiring story of free enterprise and the grasping of opportunity than the life story of Colonel R. S. McLaughlin, chairman of the board of General Motors of Canada.

His grandfather came out from Ireland many years ago and took up farming. He found he could use his spare time profitably in making axe handles—and from axe handles he went on to other farm equipment. With his son, Colonel McLaughlin's father, he started building farm wagons and buggies. At a later stage, the grandfather having passed on, the father of Colonel McLaughlin, with his two sons, developed the McLaughlin carriage company, building fine carriages and continuing to make sturdy farm wagons. When the horse and buggy days gave way to the era of the motor car, they produced the McLaughlin automobile—a business which later became General Motors of Canada.

The story of the late Henry Ford is even more striking, but is probably too familiar to all of you to bear repetition here. His was no saga of wealth making wealth, but the story of a man of vision, of determination, of abundant energy, who rose from the relative

obscurity of a farm background to become the founder of the greatest industrial empire the world has ever known. His was no opportunity for quick success and an easy road to fortune. His was an opportunity he shaped and moulded himself by the sweat of his brow and the intelligence of his own fine brain.

The birthright of every man is that his destiny is in his own hands, whether he be born in a cottage or in a castle. It is a matter of pride that we in Canada have each an opportunity to work out our destinies with greater freedom than exists anywhere on earth, with the possible exception of the United States. The blood of our pioneer forefathers runs strong in our veins. We ask no help from any man, nor seek advantages not of our own making.

Let me tell you about the men who run Ford of Canada. Our business, by and large, is managed under what I like to call the "collective management" plan. We have a management committee made up of fourteen men, each responsible for some major function of the business. They are the fourteen senior executives of our entire organization of 14,000 people.

The stories of these fourteen men would have provided priceless source material for Horatio Alger. Not one was born with a silver spoon in his mouth, so to speak. Not one achieved success by any other road than that of personal initiative and hard work.

Not one came from a home of wealth or social prominence, although I do not necessarily hold that a humble beginning is an essential to success. Not one owes his position today to some lucky opportunity he did not make for himself.

A glance over the records of these men should be an inspiration to any Canadian youth. One began life as a grocer's clerk, another as a junior in a bank, still another as a messenger boy. There are among them former newsboys, printer's devils, hotel bus boys.

The average age of the members of our management committee probably does not exceed forty-nine. The youngest is thirty-six and the oldest is sixty. They have not had to wait a lifetime until success came their way. They have forged their way to the top while youth and vigour have been in their favour.

I offer these human sidelights for the encouragement of youth.

It is not enough that we in business and industry merely offer a livelihood to youth. We must give youth a chance to grow, develop,

expand and use their utmost capabilities. Youth—and for that matter all of us—are continually more attracted by a desire to do great and worthwhile things, and to leave a mark on the face of our times, than by a mere search for material rewards. Young men are looking forward not merely for jobs, but for room in which to achieve importantly.

I would like to hope that the automobile industry in Canada will continue to provide important leadership in the development of our greatest natural resource—the young men and women who will make our country even greater tomorrow.

We at Ford of Canada are greatly interested in the potentialities which lie in what we call “Human Engineering”. It is our aim to discover and apply principles which will develop more fully the potentials which lie in every man and woman in industry, not only because this is a way to achieve production in the national interest, but also because people are better adjusted and happier in their work when they feel they are making an important contribution to a worthwhile project.

Our aim is the best possible condition of mutual understanding and respect between management and labour.

This is for us an objective of the greatest importance. It is only through teamwork, efficiency, and a high productivity on the part of the individual, that an enterprise can achieve success and growth.

I realize that you expect of me some concrete information about the opportunities open to youth in the Canadian motor car industry, and perhaps specifically in the company I represent.

The Canadian motor car industry is big enough, vigorous enough, and sufficiently progressive to offer excellent opportunities to a great many young men, and probably to a few young women. Here, again, I must confine myself particularly to Ford of Canada, because I cannot speak for the other companies. Our company is the largest single employer among all Canadian manufacturing firms. We have room in our ranks for young people with intelligence, ambition, and a desire to get ahead. We are always looking for the right kind of people, and undoubtedly our universities offer an excellent source of material.

I do not think I need to tell such an intelligent group of people as we have here tonight, that the mere possession of a university degree is not in itself the “Open Sesame” to success in any field of business or

industry. The knowledge gained in university becomes a qualification for a good job and a good salary not by mere possession, but by application.

It is possible that the prospect of glittering salaries is the chief reason why so many university graduates have indicated an intention to go to the United States. There is not a great deal I can say about that, because I am aware that while the standards of remuneration in Canadian business and industry are by no means unreasonable and have risen sharply in recent years, they are not, generally speaking, comparable to those in the United States. Nor are the economies and living standards of the two countries comparable in all respects.

I think, however, that if I were a young man starting out on a career, I should weigh all the pros and cons before making my decision to cross the border. I would consider seriously whether my sole goal in life is to make a big salary from the start. I would weigh my chances for personal progress and achievement in a country of 145,000,000 people, where competition naturally is much keener than in Canada. I would study the desirability of a tempo and way of living not quite like that to which Canadians are accustomed. And I might take into consideration the irrevocable severance of ties to which many of us attach much importance—ties with home, friends, race and institutions we hold dear.

I do not suggest for one moment that any one of these considerations, or all of them, should deter a young man with his eye on the future, but at least they are worthy of sober reflection.

If I have a message for you tonight it is, I think, that the greatest force for good in Canada is a matter of spirit. At a time when all the great problems of the world—in international and national affairs, in industry, and elsewhere—are problems in human relations, the Canadian people have shown themselves to have a rare gift for leadership. They have combined realism with high principle and are strongly influencing the future course of the nations of the world.

If we continue to show this same combination of realism and high principle, we provide a challenge and an opportunity supremely worthy of young men and women like those in this room this evening—a challenge and an opportunity for leadership in the highest sphere.

The first of these is the fact that the United States is a young nation. It is only about 150 years old, and in that time it has achieved a remarkable record of growth and development. This is due to a number of factors, including the large amount of land available for settlement, the abundance of natural resources, and the energy and ingenuity of the American people. The second factor is the fact that the United States is a free nation. It is a country in which the rights of the individual are protected by law, and in which the government is limited in its power. This has allowed the United States to attract immigrants from all over the world, and to develop a diverse and dynamic society. The third factor is the fact that the United States is a powerful nation. It has a large and strong military, and it has the ability to project its power around the world. This has allowed the United States to maintain a position of leadership in the world, and to play a major role in the development of the modern world.

The fourth factor is the fact that the United States is a democratic nation. It is a country in which the people have the right to elect their representatives, and in which the government is accountable to the people. This has allowed the United States to develop a system of government that is both effective and just, and which has been a model for other nations. The fifth factor is the fact that the United States is a peaceful nation. It has a long history of peace, and it has a strong commitment to the principles of non-violence. This has allowed the United States to maintain a position of leadership in the world, and to play a major role in the development of the modern world.

SOME OBSERVATIONS ON THE ECONOMIC OUTLOOK*

By W. F. Lougheed

DISTORTIONS and disillusionments that have followed World War II provide a disturbing background for discussion of economic or social policy. Our relations with a large part of the world are in a state of flux. It is becoming repetitious to note that when uncertainties and unpredictable forces become prevalent in economic areas there is a tendency to propose courses of action often inimical to the interests of the population as a whole. In our own country we are being subjected to revelations of one sort or another, and it is with this trend that my remarks in the main are concerned.

When I last visited your campus a year ago I took the opportunity to discuss one of the main supports of the current level of national income and gross national product, namely, Canada's external trade. At that time it looked as if a revival of the pre-war pattern was within our reach. What could not be seen a year ago—what, perhaps, we did not want to consider—was the possibility of deterioration in European economic reconstruction programmes. The speech by Mr. Marshall at Harvard in June of last year dismally prefaced a number of events and pronouncements all adding up to the realization that the pre-war pattern of trade and commerce is unlikely to be re-established for some time to come. For Canada, two dates in 1947 were of signal importance: August 20th, signifying Britain's inability to maintain her pre-war practice of international currency convertibility; and November 17th, the initiation of an austerity programme unparalleled in Canada in supposedly peace-time conditions, in order to offset a serious "(im)balance of payments position".

For many years the standard of living in Canada in no small measure has been based upon a trade operation of a dual nature. Trade

*Adapted from a speech given to students in Business Administration and Economics at the University of Western Ontario, March 31, 1948. Opinions herein expressed are those of the author and do not necessarily reflect the views of the institution with which he is connected.

statistics indicate that apart from war there is a tendency to a concentration of imports from North America and exports to Europe, resulting in, for Canada, a triangular pattern of trade. This pattern is not necessarily a rigid one, yet it indicates what might be considered a "natural" flow of economic surpluses. Looking over some trade figures of the pre-war period, three selected years yield interesting comparisons, as follows:

<i>Date</i>	<i>Imports</i>	<i>Exports</i>	<i>Total</i>
1928	\$1,222,317,916	\$1,363,788,356	\$2,586,106,272
1932	452,614,257	497,913,597	950,527,854
1939	751,055,534	935,921,713	1,686,977,247

As expected, there is a high degree of correlation between the high and low figures, and what we are pleased to call prosperous and depressed economic conditions.

Discussions of what would be the "best" pattern of trade could profitably occupy our time, but what is of interest for present purposes is that when European countries have been able and willing to buy from us we have been able to accept the purchasing countries' currencies in the knowledge that we could convert such currencies into the means of payment acceptable to countries from whom we purchased goods. For example, the sale of timber to Great Britain for sterling, through the mechanism of convertibility into United States dollars, made it possible to import American motor cars.

On August 20th, 1947, the British Government reluctantly admitted inability to continue in the role of international banker. The gallant attempt to revive the pre-war pattern lasted from July 15th to August 20th, and its failure ended for Canada a financial pattern that was believed by many to be axiomatic.

The European market—one important and logical export market—still remains open to us; that is, Canadian goods can be used to advantage, but, as pointed out in the recent Annual Report of the Bank of Canada: "Canada cannot continue indefinitely to sell on credit in overseas markets while she is incurring a substantial cash deficit in her balance of payments with the United States."

Adjournment of armed conflict on August 14th, 1945, tended to create in the minds of many the hope for an early return to the type of economic freedom enjoyed in pre-war days. With accumulated war-time savings and near money (bonds) at unprecedented levels, it

followed that consumer demand would be high. This demand was expressed in many ways, particularly for American durable and semi-durable goods. But with inability to obtain United States currency for a large portion of our exportable surplus, and United States dollar-earning capacity otherwise circumscribed, our economic position became distorted. Apparently, some collaboration with the United States resulted in the announcement of Mr. Abbott of November 17th, 1947, placing the Canadian economy in a loosely-fitting strait-jacket. Possibly we would have been informed of a more desperate programme had not some assurances been given that "offshore purchasing" would be included in the European Recovery Programme.

Here I should like to leave with you a thought that, I must confess, disturbs me. We have become very conscious of national income—perhaps in some cases unbecomingly so. However, it may be noted that a large segment of our national income, possibly one-third, is a result of trade. It has been estimated that approximately two million of our working population are engaged in export and import activities. When, therefore, discussion centres on stability and security we cannot avoid consideration of the sources of these *desiderata*. A mere statement of these objectives will not motivate foreigners to comply with our wishes; nor will political promises ensure achievement. Possibly certain obvious dislocations in trade can be controlled. Perhaps we could isolate ourselves tradewise from the rest of the world but in this case our standard of living would hardly be recognizable in contrast even with present conditions.* Security and stability to me are relative, not absolute terms, and care must be exercised in their application to economic or social phenomena. How one goes about providing "security" seems to me to be a task of frustrating dimensions. In the world of today both the terms have limited meaning, and to avoid disillusionment we might consider them in an international rather than a narrow national connotation.

These background observations lead, I believe, to a significant point, namely that 1948 ushered in what well may be termed an era of realism. Certainly the picture of happy, contented people throughout the world busily engaged in production and trade, transacting their financial deals through an international clearing house, has become very misty. This is not to say that idealism is unnecessary or undesirable. But when it is coupled with wishful thinking to the exclusion of realities,

*Nationalism of this sort invites morbid reflection, particularly when current popular musical offerings can be paraphrased; for example: Bongo, Bongo, I promise to return you to the Congo.

such an approach can, in fact, result in a partial break-down of trade and all that goes with it. Let me say that we should have objectives, and multilateralism is one of the most desirable, economically speaking, so far suggested; but we cannot achieve international co-operation by unilateral methods. Hence, we are caught in the position of being forced into improvisation until the time comes when international—even limited international—accord becomes not only desirable but unavoidable. It does not require much study to realize that the extreme nationalism of centralization presents an awful dilemma in an international atmosphere.

Whether or not we in Canada are going to be able to draw up or formulate, even within limits, rules of the game is, at present, subject to many considerations. The speech by President Truman to both Houses of Congress on March 17th sets a background far different from the one against which many recent statements, political and otherwise, have been made. Even a limited emergency of a military form in the United States suggests an over-all policy for Canada, the ends of which must be different from peace-time. In fact, I suggest that we are in no position, for the present, to enter into an era of experimentalism, the ultimate result of which could be the stultification of economic activity.

As students you must be discussing ways and means of coping with many of our current problems. Hence, you must be aware first of all of the difficulties inherent in a statement of the problems. There is a tendency today, I fear, to exercise value judgments without careful reference to available data and to interpret social troubles in moral terms. Exercises of this nature, delightful though they may be, should not become confused with objective enquiry and dispassionate reflection. Even when a problem is carefully stated, particularly in the politico-economic field, there is a tendency on the part of some people to confuse the statement with the solution. When ends are suggested as solutions to economic dislocations, which incidentally are not a product peculiar to this decade, one is inclined to ponder the real purpose of such statements. There is a wide field of study in logical method, particularly in its application to social enquiry. I can only suggest here that some thought be given to this field in order to understand the nature of objective enquiry.

With particular reference to the social sciences, it has been pointed out, from time to time, with some effect, that theory and practice are but different sides of the same coin. If this be so, then where principles

and practice are at variance it would seem that theory might require some revision and restatement. One of the most interesting (yet perhaps one of the most disturbing) current activities in the field of economics is what is called "model building". It would seem, in some cases, that "theory" has ignored practice in arriving at what appears from time to time as accepted general principles. It may be grossly unfair to suggest that "planning" underlies all model building. Yet more and more one is drawn up rather sharply by the implications of "such and such" plan for the "effective use of resources", because the hand of the all-wise and all-knowing authority—not the invisible and guiding hand referred to by Adam Smith—seems to dominate the pattern. Two forces, not necessarily unrelated, have had much to do with this trend: operation for nearly six years of a war economy, and a tendency towards collectivist thought particularly in popular presentation of economic data.

As an analogy of a war economy the single firm example used in economic analysis might be considered. Certainly the entrepreneurial function enters both cases; attention is directed toward achieving the most effective use of resources in both cases. In the example of the firm, competition serves to provide motivation. The possibility of business failure and bankruptcy encourages the entrepreneur to so allocate the available factors of production that, as a minimum, this spectre does not become a reality. Under peace-time conditions—and in a democratic society—there are many firms independently making decisions with respect to price and quantity produced. In the case of a war economy the government performs in effect an entrepreneurial function. The war cabinet so allocates available resources that a maximum result—maximum effort is perhaps a better word—in the opinion of the cabinet, is achieved. The motivating force in the mobilization for and prosecution of war is self-preservation. This is a discernible objective that by and large results in a high degree of individual participation and personal sacrifice.

It is here that one might pause for a moment to consider briefly the implications of means and ends. Historically the issue of the state versus the individual enters into the larger discussion of ends. And it is here that one is likely to part intellectual company with the stateists, for deification of the state means, in the final analysis, the subjugation of the individual to "the needs of the state". Also it appears to me, as I am sure it will to you, upon reflection, that there is some "hocus-pocus" in "the state", as contrasted with the individual, approach, for, after all, our conception of "the state" is that of a collection of individuals

living freely within geographical boundaries. True enough, under war conditions the interest (self-interest) of the collection of individuals becomes paramount, and assuming the individuals are reasonably satisfied with their established way of life a national interest clearly emerges and collective action follows. But it does not follow *pari passu* that collective action of the war-time variety can be maintained in peace-time.

In peace-time, in a liberal society, the individual pursues his own interest. There is no generally applicable objective, for each individual presumably decides this question for himself. It is perhaps unfortunate that this approach may mean nothing or everything, for because of this it becomes the subject of much loose talk and impassioned rhetoric. Yet objections to liberty and individualism lead to proposals embracing various forms of social therapy. Suggestions of state ownership and control of the means of production (and the means of production include land and labour) are but a tampering with means, and ends still must be defined. In the final analysis private property must be attacked and freedom of contract assailed. But for what purpose—merely to attempt to create a nationalist type of economy, for what else could result?

I have mentioned briefly the entrepreneurial function in relation to the single firm, namely, the allocation and adjustment of available means to achieve a definite goal as efficiently as possible. The larger economic problem is not one of unlimited means and limited and definable ends. Rather it is the other way about—unlimited ends and scarce means. The problem is further complicated by the fact that in many cases the means (the factors of production) are capable of alternative application. Any economic system must cope with the problem of allocating scarce means among competing ends in such a way as to satisfy the ends as fully as possible under prevailing conditions. No amount of "nonsense" syllables can eliminate this problem from our society.

In a free society the mechanism of price automatically allocates the productive factors and distributes the final product. People in a free enterprise economy obtain the means of livelihood by selling productive power, that is, their personal services or property which they own, to business establishments, for money, and buy with the money goods and services to satisfy their wants and needs. Business organizations reciprocally buy services, use them in producing the means of satisfying wants and, of course, sell these to individuals. Each person will spend

as he pleases and, assuming that he knows what he wants, will buy goods and services accordingly. The general interest suggests that available productive resources be used to satisfy the more important wants as far as these resources will go. Producers thus are compelled to produce "what is in demand". When too much of anything is made in proportion to its importance to consumers, its price falls and the price of things relatively short in supply rises. Producers thus find it to their advantage to utilize productive resources to make the things the public needs or wants. The value of this arrangement is that it is automatic: no one planned it and no one is responsible for its administration.

There are some who believe that the automatic mechanism of price can be eliminated from the system. On paper it has been demonstrated that it is possible to substitute arbitrary for market valuations. But if freedom of choice in consumption is not eliminated (and freedom of choice in occupation is to be maintained) the preference scale of consumers, as expressed by their demand prices (the prices they are prepared to pay for a product), must be the guiding criteria of production, and ultimately of the allocation of resources. The citizens of a socialist state, it has been said, will dictate what commodities the authorities shall produce. There is no special problem here. However, the central problem of social economics is that of a rational allocation of resources. Fundamentally the problem of a rational allocation of resources is one of valuation, i.e. of ascertaining the relative economic significance of the primary factors of production. We must be able to place a value on these factors if we are to make calculations in regard to them, and economic calculation is necessary if the most appropriate use is to be made of scarce resources. Economic calculation is indispensable if we are to minimize costs in combining the factors of production, and if we are to see that the selling price of a product covers its cost; in brief, if we are to be "economical" in the use of our scarce resources. There is a basic economic principle that any given output can be produced at the "least cost" only if the marginal productivities of the various factors are proportional to the marginal outlays of the factors. To follow this principle requires, of course, knowledge of the prices of the factors. Without economic calculation there must be a serious misdirection of resources and enormous waste.

The virtue of a competitive economy is that it makes a more or less rational allocation of resources. Under a competitive economy, the primary factors of production are valued on a market, where buyers

and sellers bid with and against each other for the hire of these factors; the prices that they establish represent what all the buyers and sellers, taken together, believe the factors to be worth. These prices are economically significant, that is, they indicate the relative importance of the factors; they reflect the value placed on them by men who, under the pressure of competition, are striving to be economical in order to maximize profit. As a result of competition for profit, a competitive economy tends to do two things: to minimize costs and to make the selling price of the product equal to the cost of producing it. This tendency is the great merit of a competitive economy. Any economy that would rival a competitive one must show that there is a reasonable presumption that it will do these same two things. Otherwise there is no reason to believe that it will economize its resources.

As I have said, there is a theoretical possibility of a rational allocation of resources under state ownership of the means of production (and I do not mean according to "social priorities", which expression, while no doubt delightful to some, is impossible of practical interpretation on other than the most arbitrary grounds) but there are doubts as to the possibility of practical application. On paper the approach would be "solved" by a series of mathematical calculations. As Mr. Lionel Robbins put it: "It would necessitate the drawing up of millions of equations on the basis of millions of statistical data based on many more millions of individual computations. By the time the equations were solved, the information on which they were based would have become obsolete and they would need to be calculated anew. The suggestion that a practical solution of the problem of planning is possible on the basis of the Paretian equations simply indicates that those who put it forward have not grasped what these equations mean."

In our efforts to see what planning is all about we have many examples, although the efforts in Great Britain seem to attract most attention at the present time. I especially draw your attention to the White Paper entitled *Economic Survey for 1947*. Certain passages therein are worth some thought. I note particularly that while the planning programme is said to be democratic, none the less there comes to light the statement that the Government will "formulate the national needs" and allocate resources accordingly. People are to exercise choice, but where there appears to be too much of a good thing this situation will be adjusted. In another section there is rather a sad note to the effect that "the task of directing by *democratic methods* an economic system as large and complex as ours is far beyond the power of any

governmental machine working by itself, no matter how efficient it may be". As pointed out, co-operation must be obtained in order that the people presumably will cease demanding what they personally think they want and accept (gratefully no doubt) what the Government knew they really wanted all the time.

In time (if we are fortunate) people generally must see that power and liberty are incompatible. As Henry Simons was wont to point out: "Traditional liberalism is an optimistic faith in the potentialities of free men. . . . A cardinal tenet of libertarians is that no one may be trusted with much power—no leader, no faction, no party, no 'class', no majority, no government, no church, no corporation, no trade association, no labour union, no grange, no professional association, no university, no large organization of any kind. They must forever repeat with Lord Acton, 'Power corrupts'—and not merely those who exercise it but those subject to it and the whole society. The only good power is that of law based on overwhelming voluntary consensus of free men and built and rebuilt by gradual experimentation, organized discussion, and tolerant compromise."

There is another aspect of current controversy that well might be mentioned, if only within brief compass, namely the confusion of words. To business administration students particularly, the word "efficient" is of interest. As you know, it is possible roughly to compare the relative efficiency of existing businesses. But your yardsticks are of little value in determining efficiency or lack of it in governmental activity. Perhaps, as Professor Knight often suggested, the real devil, insofar as modern society is concerned, was the inventor of Arabic notation. Give, if you will, numerical coefficients to such terms as "adequate returns", "high standard of living", "equal opportunities", "maximum freedom", yet these terms give to us, as they doubtless did to Plato (427-347 B.C.), who had occasion to use them, some feeling of pleasurable interest. Then one might ask what is really meant by "effective control", and how you know when you have it. Perhaps a fruitful examination question, if you care for that sort of thing, would require a distinction to be drawn between "democratic" and "totalitarian" planning. And while on questions of this sort, what in the world does "democratic socialism" mean? One of my colleagues pointed out an interesting parallel in the term "Christian paganism". To him this meant that you would enjoy all the benefits of paganism with the assurance of salvation at the end of the road. Possibly the combination of the best of two worlds is not beyond our abilities, though there is little evidence in

history of such an achievement. It may be, however, that we are being baited through such combinations of opposites to give up unwittingly through the democratic mechanism our hold on liberty and individualism.

In outlining within brief compass some of the disturbing questions of the present time, I express the hope that discussion may further clarify the issues that figure rather prominently in public debate. As a confession of faith, I firmly believe that competition and the free market are basic objectives of long-run policy. Short-run deviations from these objectives indicate our resilience to conditions beyond our immediate control. This does not mean that restrictions and controls need be inextricably interwoven in our pattern of thought.

USE OF THE COMMUNITY SURVEY IN TOWN PLANNING

W. M. MAXWELL

THE establishment of a community is the result of a combination of economic forces, the type and intensity of which determine its character, size and importance. Some communities are built around sources of natural wealth such as oil fields, hydro-electric power, agricultural production. Large centres have developed at focal points of distribution. Some depend for their existence on a single industry; some have grown around recreational facilities, and one great American city has centralized a large proportion of the insurance business of the country.

Whatever the prime forces responsible for the establishment and growth of a community, those forces are capable of stimulation and possible reorientation through well-directed sales effort, and it is generally recognized that the promotion and expansion of productive enterprise is the most immediate and effective stimulant to community growth. Fine hotels and facilities for attracting and serving tourists, wholesale and retail establishments, schools and colleges, hospitals and medical centres, government institutions, etc., all contribute to physical growth, but none breathe the breath of economic life into a community so directly and substantially as do new manufacturing operations.

Thus, Chambers of Commerce and other similar civic organizations have become increasingly preoccupied with the problem of the acquisition of new industries. Pressed by their members and directors and spurred by the competitive effort of other communities, a great deal of expense and effort has been put forth in this direction. Costly advertising campaigns have been launched, "drives" initiated and long road trips undertaken to reach and interest manufacturers regarded as prospects for industrial expansion. Such efforts, where well-directed, have frequently met with success. Too often they have represented wasted community effort, resulting in discouragement and loss of civic initiative and ending in a failure to realize and convert the opportunity that, in some degree or direction, every community offers.

Towns, like men, whether large or small, have their own peculiar physical body structures, their styles or patterns resulting from the economic and social forces that have brought them into being. Not every town is capable of becoming a great textile or chemical centre but every town has its field of industrial opportunity, the assessment of which is the first step in community development in which the promotion of industrial activity is a prime function.

Responsibility for Plans for Community Development

Responsibility for plans for community development usually falls on a small group of men, with leadership in most cases largely centred in one individual. While it is true that some communities of high industrial potential employ, either in their civic or service organizations, salaried development officers, generally styled Industrial Commissioners, more frequently activities are centred directly in the civic administration. In many towns an industrial committee of public-minded citizens is organized under the authority or sponsorship of the City Council. An increasing tendency, following the lead of United States cities, is for the Chamber of Commerce to assume leadership in community development. Whether responsibility in such efforts falls on one or another of these civic organizations, active direction usually devolves on an individual member, to whom the community looks for a programme and a plan.

What the community frequently fails to realize is that in complacently relegating the function of community development—basic to which is the securing of new industry—to an individual or committee, whether paid or not, they have delegated one of the most difficult pieces of salesmanship known to man, more particularly since a well-conceived community programme must aim at the attraction of both inside and outside interest to investment in the home town.

"Taking Inventory" Is the First Step

Your committee leader, on assuming responsibility, is immediately faced with the problem of his first practical move. If, as is most likely to be the case, he is a sound businessman he will recognize that his job in "selling" his town to prospective investors, whether domestic or foreign, is no different from placing before the public any other project seeking public participation: he must prepare and present a prospectus. Such a prospectus, to be intelligible and capable of ready interpretation and evaluation, must offer a balance sheet—a statement of assets and liabilities—which can only be arrived at through an inventory. Such an inventory of the natural resources, industrial resources, physical

facilities, and human and cultural resources and amenities, balanced against natural and physical deficiencies, constitute what may be referred to as a community survey. Such a survey is the first and most necessary step in a community development programme.

Nothing is more healthy—more heart-warming—than to count your blessings. One is reminded of the elderly Ontario farmer who, after consulting his spouse, determined to offer the old farm for sale. On engaging the editor of the local weekly to prepare an attractive advertisement they eagerly awaited the issue. Conning the page, as they sat looking over their rich acres, they checked off the items. "Fine old colonial house — fertile acres — lush meadow — apples, peaches, cherries — charming background of hill and mountain — maple sugar bush — running water in house, fed from high hillside springs — trout brook — hundred yards from paved highway."

"Martha," said the old man, "just the place we've been after for years."

But even more important in the factual picture is the appraisal of community deficiencies and ills, not only to set forth an honest statement of liabilities but as the basis for an assessment of neglected resources and deferred opportunity. The community survey, combining thus community assets and liabilities, may furnish the key not only to deferred opportunity but to the class of new industry to which its own particular and peculiar situation renders it most directly suitable.

The Industrial Map

The first and most practical move in the initiation of such a survey seems to be the making or redrafting of a comprehensively-scaled industrial map of the city. The basis for such a map is readily forthcoming from the basic plans of the city engineer, and assistance in drafting is usually obtainable through that office or from engineering or other firms employing draftsmen who would be willing to contribute such services. The plan should be of a scale that would admit of a clear representation of the topographic and hydrographic features as well as the situation and extent of the city services. It should be drafted on a sheet of sufficient size to take in the immediate environs.

The first use of this map would be a delineation of the geographical area to be covered by the survey. Here might be mentioned the occasional tendency, where appropriations of civic funds have been made in furtherance of work of this type, to confine community development considerations within the civic bounds. It should not be too difficult,

where such criticisms arise, to demonstrate that the community is only the focus of the environs and of the natural producing and trading area on which its existence, as a commercial centre, depends.

This basic map, defining the area under study, furnishes a backdrop against which may be visualized and studied most of the prime elements of the survey and on which a great deal of the resultant data may be inscribed and exhibited. These elements are: the physical features, natural resources, industrial organization, transportation, city services, community services and facilities, trading and commercial facilities, human resources, educational and cultural features and amenities.

To the casual observer the town may appear to be a jumbled mass of structures of varied type and quality, in some of which people live and in some of which people work and trade. However, out of a study of the setting of these elements against this backdrop of the city emerges a generalized picture of the urban mass, the logic of its structure now apparent, its mistakes all too obvious but its opportunities and possibilities a step closer to visualization.

The next logical points for consideration are the physical characteristics of the terrain and the adaptation of the community structure to the land forms—shorelines and beaches, ponds, swamp and uplands, broken ground and the hydrographic characteristics of harbour or navigable waterways. All of these are capable of graphic interpretation and may be readily incorporated in the basic mapping.

With the delineation of the natural features, the map is ready for the insertion of the data on city services—water and sewer lines and main power lines, also railway lines and yards and the routes of street car and bus transportation. Finally, with a generally factual representation of the layout of the existing industrial plans with the associated railway sidings, and the more important warehousing and distributing units, the basic mapping may be regarded as sufficiently advanced for immediate employment and with its development to this stage the committee has taken a long step. Also, it will have learned a great deal. The basic map should be in tracing or otherwise reproducible form so that copies may be freely available for the study and recording of other types of information that may be required at more advanced stages of community planning.

Copies should be taken off for an immediate study of the vacant and available lands which, from their extent, character, situation with

respect to sources of labour and accessibility to rail and highway mark them as possible sites for new industrial plants or productive enterprise. In such studies, careful attention should be given to the character of the ground and particularly to subsurface conditions. This is likely to have been fairly well established in the various construction projects in the area and in most cases local engineering firms are able and invariably very happy to contribute to the work of the committee their best advice and services in this regard. These potential industrial sites should be considered against the background of the existing water and sewer grid and more particularly to projected future extensions of these civic facilities. Such surveys have in more than one case resulted in revisions of water and sewer extension plans aimed at the development of less advantageous sections. Ownership of the blocks or parcels to be regarded as potential industrial land should be checked and general information developed as to land prices and values. Available city-owned and other publicly-owned lands should be marked in distinctive colours. Railway-owned lands should be similarly distinguished from parcels of private ownership. In matters affecting lands the advice and help of the local real estate interests will be invaluable.

The Industrial Survey—A Prospectus

The committee is now ready to assemble the material for its "survey," the ultimate aim of which would be improvement of the community industrially, commercially and socially. The immediate aim would be the assembly of data in convenient form for the use of the civic administration, local business and in the attraction of new industry. Surveys of the type visualized have followed lines similar in character and order to the following topical treatment:

- Historical sketch.
- Location and physical facilities.
- Population.
- Industrial development.
- Transportation: Rail, water, highway, air.
- Labour situation and employment records.
- Power costs.
- Water supply, analysis and costs.
- Taxation.
- Wholesale trade.
- Retail trade.
- Public warehousing.
- Consumer purchasing power.

Living costs, standards and conditions.
Construction and real estate.
Service establishments, hotels, places of amusement.
Banking and finance, insurance.
Industrial and commercial associations.
Newspapers, radio stations.
Expositions, fairs and conventions.
Universities and educational institutions.
Government offices or establishments.
Professional services (medical, legal, etc.)
Municipal administration.
Civic, service and social organizations.
Special features not otherwise dealt with.

Such an outline could not be expected to fit the requirements of all communities and it is unlikely that any one survey would develop in full detail all the considerations referenced in the above headings. Rather, emphasis should be placed on an intensive development of those points or subjects of particular moment or that are regarded as of special significance and of special appeal to outside interests. The aim should be, while frankly treating deficiencies, to put forward the prime selling points of the community, not entirely for the attraction of outside interest but—and this is basic—that the community leaders may themselves come to understand what their locality has got to offer. In this way they will visualize clearly in what direction development may logically proceed and the outline may be used as an index for their next move toward general community improvement.

Following this thought, the survey, with its accompanying mapping, should reveal such bare spots in the economic structure of the community as may offer opportunity for expanding its established industry and commerce.

It should furnish an array of facts that may be employed, as opportunity offers or as enquiry develops, in presenting clearly to prospective industry the advantages the locality offers as a manufacturing point. Its findings will be basic to any planned approach to individual industries in soliciting their consideration of plans for plant location there.

Survey Is Groundwork for Future Development

It will provide a framework on which can be developed future

plans for the improvement of the social as well as the economic life of the community.

The latter point leads to the subject of town planning, which is quite a separate consideration. Basically your community survey, as the initial move in a development programme, is aimed at promoting both domestic and outside interest in investing effort and capital in your community. Town planning, which may logically follow and for which your community survey and mapping provide the basic tools, seeks so to regulate the use of land as to provide fully for the future needs of the city. The plan for land use must be completely realistic; it must not impose an impossible vision of civic grandeur but must set a practical pattern—logical in its conception but flexible in detail. It must recognize the basic pattern in which the community has been moulded or into which it has accommodated its growth to the point of its present reality. Above all, it must preserve the best of that pattern, aiming only at transforming the undesirable, through well-advised direction of the inevitable changes by the application of present-day knowledge and modern resources and practice.

It has seemed to those who have observed efforts of communities to improve their situations through recent years, that too frequently civic planning projects reverse what might be considered the logical approach. There seems to be a tendency to start with the general assumption that everything is wrong with the town and, in the detailed development of plans, to give emphasis to gracious living rather than to seek provision of a proper setting for the earning of that living. Parks and playgrounds, "green belts", landscaped breathing spots, thoroughfares, boulevard approaches to future airports, etc., are most desirable but the virtually irrevocable allocation of large acreages to these amenities, in what we must consider as the formative stage of our national economy—which is but an expression of our collective local economies—can only be regarded as introducing some element of civic hazard. It is interesting to speculate as to the present-day picture some of our North American towns would present had they been subjected to firm and irrevocable town planning projects in the year of Queen Victoria's Diamond Jubilee.

Too often it has seemed that by the time the stage for gracious living has been set in the broad civic plan there is little room left for the machinery of bread-winning except on ground that is remote or otherwise useless or difficult of adaptation. There is a tendency among

some planners of the more esthetic turn of mind to be impatient of the continued occupation of desirable ground by factories, commercial enterprises and the land-consuming machinery of transportation. This is particularly evident in some of the middle western cities of the United States, where housing developments and through-highway arteries have been permitted to proceed along and to flank the railway approaches to the city. This tends to render useless as industrial sites land best suited for plant location, because it is most accessible to both transportation and labor supply.

Sound and well-directed town planning can accomplish a great deal in the promotion of realistic policies in civic development. For this no better foundation can be provided than the Community Survey.

SOME COMMENTS ON CANADA'S POLITICAL ENVIRONMENT

FRANK MacKINNON

THE politics of democracy requires leadership above all else. This leadership is a two-way process. On the one hand the government must give guidance to the people it has been chosen to lead, and on the other the people must be in a position to direct their rulers in accordance with the popular will. The political party is a vital link in this process and its nature is indicated both by the role it has to perform and by the background in which it is set. The intricacies of party politics in Canada reflect in large measure the peculiarities of its federal environment and reveal the nature of the leadership which is offered in public affairs by both the government and the governed.

The character of Canadian political parties is indicated not merely by platforms and manifestos, but also by environment. The peculiarities of the nation, whether geographic, cultural, or economic, are constantly reflected in the actions of its political groups. Geography, for example, is always evident. Great distances and natural barriers have tended to divide the Dominion into regions which have distinct local backgrounds, characteristics, and wants. Canada's associations with Great Britain and the Empire on the one hand and with her next-door neighbour, the United States on the other, have stamped a peculiar combination of English constitutionalism and American federalism upon her institutions, and have influenced her outlook on both internal and external affairs. These, together with peculiarities concerning the location of natural resources, the availability of means of transportation, the conditions of staple production, have closely linked geographic characteristics and public business. Economic considerations, whether they be in the field of industry, foreign trade, or public ownership, cannot be overlooked by any party. Cultural factors, too, are significant, for the history and social structure of the country have revealed both the advantages and disadvantages of the rich heritage of two pasts. All these factors make up a complicated environment for Canadian politics. They are not passing phenomena, but deep-seated features in the life of the Dominion.

Political parties with national ambitions are faced with these features. They must deal with the country's affairs from the Atlantic to the Pacific, in nine provinces, in sparsely settled areas and in crowded cities, and from the standpoint of East and West, French-speaking and English-speaking, agriculture and industry, labour and management, Protestant and Roman Catholic, centralist and provincial rightist. These groupings, and hundreds more, make up that elusive power called public opinion, a power that has considerable influence, especially through the ballot box, upon the fortunes of parties seeking to rule. Consequently a national political party in Canada must, by the very nature of Canadian society, combine a broad view of the country's needs as a whole with a careful cognizance of the demands, prejudices, and rights of interest groups. No such party can afford to be identified with any one or two provinces, or any one religion, or racial group, with labour or "big business" alone, or with any one exclusive policy. Tendencies combine to force it to be all things to all men, to be the residence of policies and ideas of interest to public opinion as a whole, to compromise between extremes and to stress unity rather than difference. After all, widespread support is required in national elections and a bumper crop of votes can only come through a judicious scattering of the necessary political seeds. A party that confines its efforts to the cultivation of one or two interest groups generally is limited to the role of a local body and to but a restricted influence in public affairs.

This characteristic of federalism can be viewed from two standpoints. In the first place there is a real danger that, if it is pushed to too great an extreme, principles and ideals in politics will mean nothing, dynamic government will be frustrated, and politics, which is essentially a noble profession, will descend to the level of mere vote-getting, meaningless slogans and catch phrases, of weak compromises designed to offend no one, and of side-stepping vital issues in order to maintain strategic tranquility. Efficient democracy cannot survive under such a system. On the other hand, parties and politicians are not to be condemned if they refuse to become crusaders for particular interest groups. Political parties are part of the constitutional system of a democracy and since that system exists for the people as a whole, parties must appreciate the needs and viewpoints of many groups. Compromise is often necessary to effect a policy here, to consolidate an opinion there, or, in general, to preserve national unity on a significant issue.

As far as practical politics in Canada is concerned, these points are illustrated both in past experience and present circumstance. Sir John Macdonald was a master at the art of combining diverse elements

into an effective unity, and to his skill in this respect can be attributed, in large measure, his long term of office. The Liberal-Conservative party in his day was not an Ontario party or a Quebec party, nor did it pride itself on a dogmatic adherence to the dictates of one doctrine, policy or theory. Macdonald cemented the ties between Ontario and Quebec through an effective alliance with French leaders like Sir George Cartier and Sir Hector Langevin, and with the outlying provinces through a policy of friendly co-operation. As a result the Conservative party drew support from far and wide and was in a real sense a national party. Moreover, it contributed greatly to national unity in the uncertain years which followed Confederation. The Grits, or Liberals as they later became, illustrated the same points in a negative way. They were an Ontario party that could not at first become strong because it was essentially local and did not seek outside alliances. The Grits were suspicious of Quebec and Roman Catholics and they sniffed at the prospect of having to woo the support of the Maritimes. They made little effort to hide their likes and dislikes, with the result that their friendly connections were few. Their government under Alexander Mackenzie was based on a restless coalition of Macdonald's opponents, not on a strong party. It was not until the Liberals broadened their efforts, consolidated their different wings throughout the whole nation and directed their energies, through Edward Blake and Wilfrid Laurier, toward national unity under a national party, that they became a great and powerful force.

From time to time since these first years, party fortunes have indicated this federal nature of the two major parties. The strength of Laurier and Mackenzie King revealed the power of an *entente cordiale* between English-speaking and French-speaking political forces. On the other hand, the conscription and separate school issues showed both Liberals and Conservatives the advantage of having as well ties other than those based on race and culture. In tariff questions, both parties treaded carefully through the free trade outlook of the Maritimes and the West and the protectionist attitude of Central Canada. Where a concession was made in Dominion-provincial relations to one province, the federal government had to bear in mind its possible ramifications in the others. Electoral victories were won through widespread rather than concentrated support, and party structure remained strong where the foundation stuck firmly into different fields. On the other hand, political weakness became evident where parties were local in scope, as in the case of the Progressives, or where the different party wings split, as with the Liberals during the First Great War, and in the

Bennett-Stevens issue of 1934-35. There were other factors, of course, but the general trend has illustrated that both parties have found success in being effective coalitions of interest groups.

This problem is indicated today in the case of both the major and minor parties. The Liberals have been in power continuously for twelve years and during that time have enjoyed the overwhelming support of Quebec and the Maritimes and enough co-operation elsewhere to give them an effective majority. But the West has become a big question mark, and the party strategists are aware that Liberal fortunes there must be built up, especially if there is any possibility of losing a substantial degree of support in the East. And they have noted that Liberal provincial governments are in power only in the Maritimes. Yet, while Liberal weakness in this respect reveals potential difficulties, that of the Progressive Conservatives is an actual handicap which has kept them some distance from power. Their stronghold is Ontario and their strength there is, in many respects, a great asset from the standpoints of both local and national politics. Yet the fact that so large a portion of their support comes from one province lessens their appeal as a national party in the rest of Canada. They have only a handful of seats in the Maritimes and Quebec, and to them, as to the Liberals, the West has been playing hard to get. The reasons for this do not come within the scope of this paper, but they have turned the party from the old nation-wide character which in other years kept it in office so long. The fact that an active campaign by Progressive Conservatives is being made to remedy this situation underlines the need for a substantial alteration of the party's structure and policy to give it the federal character so necessary to political success.

The smaller parties show the same difficulty. The C.C.F. has made little impression upon the Maritimes and Quebec, and, since its provincial fiasco of 1943, has lost much ground in Ontario. Its strength has been confined generally to the West. It wrested Saskatchewan from the Liberals and is now the official opposition to the coalition governments of Manitoba and British Columbia. Yet, though its strength in seats is local, the fact that the C.C.F. runs candidates in all provinces indicates its appreciation that power rests on a wide appeal. The brief history and relatively confined influence of the Progressive, Social Credit, and the Bloc Populaire parties illustrate the same general theme.

A point that is raised by these considerations is the similarity between the two major parties. It is often said that the Liberal and Progressive Conservative parties are essentially alike, that their history

is merely a game of the "ins" and the "outs," not a real battle between opposing principles, and that what Canada really needs is two different groups who represent opposite ends of the political scale. Considerable evidence can be gleaned for this school of thought. Political history does not reveal that the Conservative party has been any more conservative than the Liberals, or that the Liberals have been more liberal than their opponents, Sir John Macdonald's policies with respect to national expansion were often reckless in comparison with the sober conservatism of his Liberal opponents. And if caution is a conservative attribute, there has been no more conservative government than the Liberal administration of Alexander Mackenzie. Nationalization schemes, such as the Canadian National Railways and the Ontario Hydro, were implemented by the Conservatives, and Bennett's "New Deal" programme can hardly be termed reactionary. And few would refuse to admit that conservatism is not foreign to Mr. King. In general, the party label is not a good indication of the party nature. Have they been different? Sir John Willison replied in the negative with his famous remark that "no man in Canada has been more inconsistent than the man who has faithfully followed either political party for a generation". The Liberals condemned Macdonald's connections with the C.P.R. and Bank of Montreal circles, yet when they came to power they became just as involved with the Mackenzie and Mann and Bank of Commerce interests. Tariff relations with the United States were a major issue between the parties in the 1880's yet there was little difference between Liberal action after 1896 and that of the Conservatives before. There were scandals under the Conservatives in 1873 and under the Liberals just prior to 1911 and in 1926, and under both in 1891. Macdonald and Laurier agreed on the need for close ties between French-speaking and English-speaking. And imperialism or national autonomy, centralism or provincial rights, have not been the exclusive monopolies of either party. Few illustrations contradict Willison's view that "there is nothing in Canadian politics so juvenile as the babble of politicians and their adherents about 'consistency' when they should know that if they had to retrace their steps mile by mile they would die on the first stage of the journey from sheer mental surprise and physical exhaustion."

This situation does not indicate that politicians are a group of unprincipled opportunists, or that their parties have no meaning, but rather that they have conformed to the complex environment in which they exist. Both national parties have had to cater to and depend upon the support of the same geographic, racial, religious, economic, and

social groups, to deal with the same complicated problems of a large federal nation, and to negotiate in the same international sphere. Moreover, the parties themselves are not homogeneous units but federation of interest groups under one label. As a result, whatever their professions and names, parties have had to conform to the cold realities of day-to-day administration. It should not be surprising, therefore, if they have tended to similarity *in the long run*. In practice, the two parties have been faced with the overriding problem of national unity—of combining the various forces of the country into an effective whole—rather than dividing them by adding excess political controversy to the already difficult atmosphere of federalism. This is not to say, however, that the national parties have been identical. There are differences in policies and platforms and in the manner of carrying them out. But *in the long run* the similarity, or rather the lack of great differences, has been a feature of Canadian politics.

If this be so, why should there be two parties? If the two show little difference, why not have one? One answer is personnel. The significant distinction in political parties and the real reason for their success or failure often lies in the calibre of the men of whom they are composed. A plausible platform and excellent intentions are not substitutes for able leadership. "Governments, like clocks," said William Penn, "go from the motion men give them; and as governments are made by men, so by them they are ruined, too. Wherefore governments depend rather upon men than men upon governments." Moreover, certain types of able men are not always suited to existing needs, and individuals often have to be changed with circumstances. And there is no certainty that any leader or any group will be right all the time or will conform constantly to the will of the people. It is therefore an advantage for a nation to have on the one hand an effective government, yet on the other to have an alternate group which can be called upon to assume power when a change is needed. In Canadian politics there might not be great differences between the Conservatives and Liberals over the years, but there has been all the difference in the world between Mackenzie and Macdonald, Brown and Cartier, Blake and Tupper, Bennett and King, and between the cabinets of Bowell and Tupper and that of Laurier. The same thing has been seen in a negative way when oppositions have failed to present themselves as satisfactory alternatives and thereby given the existing government a long lease on power. The orderly alteration of power is one of the foundations of English parliamentary democracy which has preserved the two-party system. But this is not to say that personnel is the only factor. The importance

of it as against platforms and policies in relation to Canadian parties is open, like most political processes, to considerable argument. Yet it cannot be forgotten in the alluring interplay of party strategy.

Another point with respect to federalism in Canadian politics is the question of new parties. The theory of the multi-party system is a large subject which cannot be dealt with here. But one should ask, "Where do new parties fit in the Canadian scene?" It is safe to say that they face the same political environment—that they must examine the same problems as the two older ones. Will that make them assume the same federal character and thereby become similar to those already on the scene? If a third party can become an effective national organization it could be a real alternative administration. On the other hand there is the danger that with three parties it might be difficult to secure a majority government without courting the weaknesses of coalitions. A third national party might, like the Labor Party in England, nose out one of the older ones and become one of two major political parties, thus continuing the game of "ins" and "outs". It might vanish if it is not needed, or split, with its resulting wings joining the other parties. The future of the C.C.F., Social Credit and others as national bodies will be determined after the novelty of newness and the naiveness of opposition has worn off, by their adjustment to the federal environment, the condition of one or both of the two older parties, and the alternatives in policy they have to offer. And, just as significant is the calibre of the persons of whom they are composed. Are Mr. Coldwell or Mr. Low satisfactory alternatives to Mr. Bracken or Mr. King? How do the Liberal and Progressive Conservative hierarchies compare with those of the new parties with respect to cabinet qualities? And in the provincial sphere, how do Messrs. Jolliffe, Douglas, and Winch compare with Messrs. Drew, Tucker, and Johnston?

The smaller parties may not achieve national status but may become strong organisms entrenched in particular regions. This leads to considerable speculation. On the one hand the outlooks and needs of the local areas might prefer distinctive parties which are unattached to the national ones. A western farmers' party or an independent Quebec group might take this view. Yet the Canada First movement, the farmer governments of the 1920's in Ontario and Alberta, and the Progressives did not last; there is every indication that the Union Nationale is being wooed by prospective partners; and rumour has at one time or other heralded the possibilities of Mr. Coldwell joining the Liberals and of the Social Credit going in with the Progressive Conservatives. In other words, there have been tendencies at work which place local parties on

an incline plane leading into the folds of the two large ones. Perhaps it is a case of strength in unity and weakness in diversity; perhaps there are enough elements of difference in Canada without a multitude of parties; perhaps the readiness of the older parties to absorb their reform policies and personnel is too much for the new parties; possibly the necessity for co-operation in Dominion-provincial relations is a reason; the lack of effective personnel may be significant; or perhaps, as John D. Rockefeller reminded us, the big roses grow better when the early buds are sacrificed. Whatever the reasons, environment and personalities are foremost among them.

The nature of Canadian politics is also reflected in one of its most significant characteristics—the dominance of party leadership. In some instances Canada has indulged in long terms for prime ministers: Macdonald, Laurier, and King have held office for a total of fifty-five of the Dominion's eighty years. Such terms are rare in England, while in the United States most presidents have been temporary employees compared with the Canadian triumvirate.

Again the federal environment is an important influence. Selecting and breaking in a national party leader in Canada is not an easy process. His "availability" has to be very high if he is to be acceptable to a substantial variety of the interest groups, and, of course, to the different wings of his party. It takes time for him to become known to the voting population and to achieve dexterity in the intricate problems of a complicated government. Like old wine, he must age and mature in the cask before achieving the confidence of devotees. For a party to change leaders too frequently under such circumstances is to court charges of instability and invite unsteady support.

The strength of the Conservative party under Macdonald and of the Liberals under Laurier and King rested in no small measure in the continuity of leadership provided by men who became legendary for political astuteness or for the "grand old man" complex. Loyalty to the chief was a bond of union invaluable to the party, not only at election time but in the day-to-day functioning of the party machinery. On the other hand, where lack of confidence in leadership has been evident, disunity has dogged the party into years of opposition. The vacillating leadership of the Conservatives in the five years after Macdonald's death, particularly the wholesale resignation of ministers from the Bowell cabinet, did much to undermine the party structure which Sir John was so long in building. Borden, in the early part of his leadership, found his efforts weakened by the lack of confidence on the part of a

number of his followers. And the unsteady hierarchy which followed Bennett has been a serious obstacle to the Conservatives in their drive for power. That they have had eleven leaders since Confederation to four for the Liberals is not unconnected with their problem. Nor were the Liberals free from difficulties in this respect. The party's development was retarded in part in the 1870's and 1880's by the doubt surrounding the leadership of Mackenzie and Blake, and later of Blake and Laurier. And the disaffections in the ranks of Laurier's advisers contributed to the Liberal difficulties in 1911. Both parties have found that unsteady leadership does not pay.

One feature of political leadership in Canada is its tendency at times to assume a dual nature in the form of a partnership between an English-speaking statesman and a distinguished French-speaking colleague. Before Confederation, ministries had double titles, Baldwin-Lafontaine, Hincks-Morin, Macdonald-Cartier. In the Dominion's early years, Sir John Macdonald owed much to the friendship and confidence of Sir George E. Cartier, and in our own time the advantage of such co-operation has been revealed in the relations between Mr. King and Mr. Ernest Lapointe. Laurier and Borden were not so fortunate in having such a partner whose friendship was far greater than that of a mere colleague and who was the recognized leader of his particular group. This feature was a concession to federalism which paid great political dividends to those who were able to enjoy it.

Both Liberals and Conservatives are faced with the leadership problem today. Mr. King's retirement is not a distant event and the question of his successor is the subject of much discussion. The absence of a crown prince—so disastrous to the Conservatives in 1891—or the selection of the wrong man could easily lead to the breakup of a party which has depended so much on a perennial leader. On the other hand, the succession of an "available" candidate can help to inaugurate another long reign in the East Block. For the Conservative party the reaching of an understanding on the leadership is vital to success, and perhaps even to survival as a national force. One of Mr. King's great advantages since 1935 has been the game of musical chairs which has been going on at the Leader of the Opposition's desk. If the Conservatives are to present themselves effectively before the people as an alternate government it would seem that they must agree on their chief. Their experience is not new. Laurier, Borden, and King were not accepted at once by all wings of their parties upon their selection as leader. It took time for them to overcome the doubts and to establish themselves firmly in the confidence of their followers. Mr. Bracken and a new Liberal leader,

like their predecessors, have this phase of uncertainty to go through before achieving that general recognition so necessary to political good fortune.

Canadian politics now, as in the past, is a complex mixture of men, principles and environment. The personalities of the party leaders, the principles for which they stand, and the peculiarities of the background in which they were set have provided an interesting panorama of public affairs since the opening chapter of the Dominion's history. The present day seems to be a turning point for all Canadian parties. If history is any guide—and after all, as E. A. Freeman has said, history is past politics—the party which will have the inside track on rounding the corner will be the one that not only equips itself with good intentions and a platform, but also takes careful stock of its personnel and of the federal nature of its environment.

THE NEED FOR INVENTORY CONTROL IN RETAIL STORES

W. A. THOMPSON

IT was recently reported that one hundred prominent economists in the United States were questioned by the F. W. Dodge Corporation regarding the future of business in 1948. Seventy-five of these economists predicted that 1948 would be characterized by a severe depression. However, such top-flight economists as Sumner Slichter of Harvard disagreed sharply with this point of view.

Everybody is surfeited on the subject of highly authentic predictions of general business trends for 1948 and most business men, especially retail merchants, are in a position to draw as reasonable a conclusion as many, however ponderous the other fellow may be. It is appropriate to emphasize that there is almost universal agreement regarding the nature of events when the shift in business tempo finally comes. It is generally agreed that a break in commodity prices will sound the beginning of a real depression. Retail merchants are familiar with the sharp upward rise of prices during the past few years, and what a sharp break in prices will mean to their biggest asset—namely, their inventory. It is crystal clear that the inventory control is a phase of operations that deserves most vigorous consideration now.

Before the actual situation is studied and some thought is given to what may be done, some cold facts should be reviewed.

(1) Regardless of whether there will or will not be a break in general business conditions in 1948, it is agreed that there is real danger of a business collapse this year. In view of this danger it would certainly be unwise to lay plans which would not recognize the potential threat.

(2) The drop in commodity prices will probably be much more precipitous than the one faced in 1929 and 1930. At that time the great speculation and over-priced items were found in the stock market—not on the shelves of the retail stores. Actually, the situation is almost reversed today. Many securities are selling at prices only a little above those of 1935.

(3) Retail businesses are the most particularly vulnerable of all business. Stock on hand represents a high proportion of total assets.

(4) Retailers' stocks today are higher than they have ever been. In a report issued in the United States, there was indication that there has been an accumulation of two billion dollars in inventory by industry in the current year. Confidential figures of a number of Canadian stores reveal that current stocks were running, on the average, much higher than last year. In some areas the increases have been spectacular.

(5) Many retailers are not in mental condition to meet the difficult problems ahead. It has been good business to break many of the rules regarding inventories that were built up during the 30's. In fact, much money has been made in pure speculation. There is no use pointing out the well-known fact that retailing has been in a most comfortable condition during the past few years. This feeling of confidence permeates the whole structure of the industry. Many men in key positions have never had to meet the vigorous conditions that are probably ahead, and it is likely that many of them will not be able to cope with them when they arise.

(6) The cash position of many retailers is already strained. Actually, many have been carrying on businesses far too large for the equity held by the proprietor. Many tend to forget the capital investment required to finance today's swollen rates is very large. In addition to the strain of operating larger businesses, many retailers have increased their personal standards of living. These factors, along with taxes, have meant slim amounts of cash in the bank.

It is believed that the position of the small and medium-sized retailer is particularly vulnerable. Many of the problems which dogged their trail during the 1930's vanished in the 1940's. The shortages brought on by the war tended to remove many of the advantages of the big stores. The manufacturer has not been so inclined to reduce his price to get the big order as he was during the 1930's. Advertising allowances and other devices designed to reduce prices to large buyers have not been prominent. When vigorous competition returns, many of the 1930 trade practices will return. The moderate and small-sized retailer's competitive position will suffer. More will be said later about the relative positions of large versus small retailers. It is particularly desirable for this latter group to think in terms of putting itself in a position to achieve survival.

The emphasis up to the present point in this paper has been in terms of heavy fiscal risks involved in the present situation. However, there are other facets to the evolving problem. In addition to weighing the possible losses of the present inventory situation, the difficult continuing job of having just what is wanted with minimum risks should be considered. It is trite to comment on the ease with which selling has been done in the recent past with indifferent staff, advertising not designed to sell, and inferior merchandise. Regardless of a boom or bust possibility in 1948, it seems certain that the job of selecting and maintaining a good selection of stock is going to be increasingly difficult.

1. The consumer's expenditure for food is going up, both absolutely and relatively. It is probably now getting a twenty per cent. larger share than formerly of the consumer's budget. This means non-food items will have a harder time competing for the consumer's dollar. If rent controls go off, another big slice from the consumer's pay cheque will be removed, before the retailer has an opportunity to compete for it.

2. Present price trends are disrupting old customer buying habits. One of the difficult problems for sellers during the depression of the 1930's was the difficulty of fixing a price level that was in line with usual customer needs. The rapid shifts in consumer demand, forced by much higher buyer prices, will play havoc with estimates of demand by customers. There is a lesser tendency today for manufacturers to ask what prices are "good sellers" and make goods with this in mind. Actually, there is a revolution going on in usual customer buying habits.

3. There will be continued acceleration of the trend to offer new merchandise. One prominent U.S. manufacturer with 2,800 lines finds forty per cent. of present sales are in lines that did not exist before the war. It appears that there will be fewer bottlenecks in production and a much larger flow of goods than in 1947 may be expected. In the event of a real tightening of demand and a loosening of supply, there will be a flood of merchandise to tempt consumers. Thus, it appears that a much more difficult inventory problem is inevitable.

It is correct to say in a general way that a good inventory policy is one that results in a minimum loss of sales without taking undue risk of financial loss. It is desirable to go a bit further and raise a few questions about the inventory control setup. Here are a few that might be posed in connection with inventory controls:

- (a) Just what is in stock? Can this be found out at reasonably frequent intervals without undue expense and delay?

- (b) How does this stock compare with a proper stock?
- (c) Is there a proper assortment of colours, sizes, styles, prices? Are the fastest moving lines well stocked?
- (d) What proportions of stock are in the various age categories?
- (e) What has happened to slow-moving stock? What proportion of the stock is slow-moving? Is the inventory situation better or worse than two weeks ago, three weeks ago, and so forth?
- (f) What are the trends in sales and stocks in specific types of merchandise?
- (g) What manufacturers are giving wanted merchandise? How are gross profits of their line?
- (h) Are employees tempted to pilfer because they know there is little or no check?
- (i) How does the stock compare with that of other stores? What is being done to set up standards so that it is possible to compare positions on a current basis from time to time?
- (j) Is the stock sales ratio used in judging the normalcy of the stock situation?
- (k) Can all this information be obtained with minimum effort and cost? Is the staff sold on the system and actually using it?

The major devices used to achieve these objectives and to control inventories are the old tools that have been in use for some years. A brief description of them follows:

1. Straight visual control. The vast majority of retailers still depend wholly on this approach. Even more complicated schemes of merchandise control have gaps that are filled only in this manner. For a very large number of stores, this is considered the proper approach. It works best, of course, where operations are relatively small. There is the high interest of a sole proprietor, a low risk inventory, and a relatively static condition. A great number are using this approach without realizing its inadequacy for their needs.

2. Dollar control. In this category there is one of the most useful types—the retail method of inventory. It is a means whereby the retailer keeps track of his purchases, his mark-up on purchases and thereby establishes an initial mark-up percentage. By keeping track

of mark-down and sales, it is possible to set up and calculate a book inventory at retail at any time. A cost inventory is ascertained, of course, by deducting the usual gross margin or initial mark-up from the book inventory. The greatest value comes when the system is broken down into small, merchandise categories. The more a merchandise category is broken down the more information is available to the operator. Of course, a book inventory can be obtained by the "cost audit" approach. By this method each sale is analyzed to find out the actual cost of the merchandise sold. This approach is feasible when valuable items are sold, such as jewellery, furniture, etc.

Another "dollar" device is the merchandise budget, by which the operator breaks down his overall operations to give him a forecast of sales, purchases, open to buy and closing inventories. The value of this approach, which is usually done on a six months' basis, should not be minimized. A leading retail authority claims that quite a number of stores are reviewing their budgets critically on a monthly basis. In summary, "dollar" control devices are prepared to answer the question of "how much".

3. Another broad category of merchandise control is described under various unit control devices. Unit control schemes answer the question of "what" in connection with merchandise control. While the various dollar control schemes are useful to both the buying as well as the financial end of the business, the unit control schemes are designed solely to give buying information.

There are several points at which a unit control system may begin. It may start with a record of orders or receipts, with a record of sales, or it may take the form of periodic inventories as a starting point. When it is relatively simple to record sales and where there is a substantial amount of re-ordering, a full perpetual inventory is preferred by most stores. Unit controls are needed most where there is high style, high risk and relatively frequent re-orders.

Senior students of the Western Business Administration Course recently called on a large cross-section of retailers in Western Ontario to ascertain the situation on merchandise control devices. Here are some of the questions that were discussed by these students:

- (1) What items profit most from merchandise unit control?
- (2) To what extent is the retail method of inventory used?
- (3) Is the merchant much concerned about merchandise control?

- (4) How long has he had his present system?
- (5) Has he ever had a system and abandoned it?
- (6) Did he get some help from outside sources?
- (7) How much time is involved in keeping the merchandise control devices?
- (8) Who does the work? If no formal controls are used, do they have any informal control?
- (9) Do they use "open to buy"?

They called on merchants in Kitchener, Windsor, London, Sarnia, and St. Thomas. They contacted the leading department stores, the "runner-up" store, dry goods stores, shoe stores, jewellery stores, hat stores, furniture stores, tire stores. They called on both independent and chains, and in all cases talked to responsible people. It is not easy to summarize the results of their activities. However, the present preliminary conclusions seem to be fair.

(1) The chain store and the very large store are using practically every device that could be used to give them the kind of information needed.

(2) The retail method is not used as generally as was supposed. Many large stores (i.e. stores running with a hundred to a hundred and fifty employees) were not using this very useful tool. Many who were using it were not breaking their departments down sufficiently fine to give as much information as they could get by a little extra effort.

(3) A few were using the real merchandise budget. Many were not making a real effort to calculate buying on a monthly basis. Stock-sales ratios are hardly used at all.

(4) Some of the chains and the larger stores are making a vigorous attempt to spot slow-selling merchandise. This important device in maintaining a good stock was not used by the great bulk of stores.

(5) Actual physical inventories were not taken with any great frequency. Some of the more astute stores were going over their high-risk inventory with very great frequency.

(6) Shoe, furniture, jewellery, and hat stores have, by far, the best system of unit control. Many of these stores are doing an excep-

tionally fine job. In the case of the jewellery store, there was an addition to the usual reason, the necessity of keeping track of certain merchandise for tax purposes.

(7) There is not a great tendency to take off summaries from time to time with unit control records.

(8) There is little interest in merchandise control devices. One would judge from the results of this study that not much will be happening in this area.

(9) The records of merchandise control have generally been kept by merchandising rather than by the accounting people. An exception to this is the chain store. Visual control and "by guess and by golly" method is very much in the saddle.

(10) Not too much constructive help is being offered to the retail trade. Some wholesalers are doing excellent work.

(11) The more successful systems are those that have been installed for some time and they are being actually used.

(12) There is room for considerable improvement in the use of markdowns in slow-moving stock. Some retailers have developed the rule of thumb, whereby merchandise beyond a certain age is automatically marked down rather drastically. Other retailers simply look at the quality of merchandise of a specific age and start to ask questions.

(13) The merchandise control system in use in Western Ontario is not particularly expensive. By and large, the system is kept up by the actual operating people of the sales end of the departments.

It is clear that the merchandise control device in use in many Canadian stores will not be of much use to the operator in meeting the problems ahead. Immediate action is most desirable where action is needed. The line of attack should be: the stage should be set by convincing the organization of the need for action now, help ought to be obtained from friendly retailers who are doing a good control job. A complete job should not be attempted at once, and the cost of any system ought to be kept in hand because much of the work can be done with existing staff.

